Remarks by
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Admiral Landay, thank you for that kind introduction. I am very pleased to be here, and I would like to thank the NDIA and ONR for putting this conference together. This forum comes at a critical time for those involved with the acquisition process.

The Department of the Navy faces severe challenges. We must fight today's war while also transforming our Naval forces to fight the wars of tomorrow—and we must do both in an increasingly pressurized budget environment.

I sense frustration that we in the acquisition community—government and industry alike—are not doing enough to support our Sailors and Marines. This frustration ranges from cost and schedule problems with major acquisition programs to our ability to rapidly get equipment to the theater that is responsive to the warfighter's needs. Our Sailors and Marines serving on the front lines deserve the best our Nation and Navy have to offer.

Given the urgency and importance of these challenges, I believe the time is ripe for us to evaluate our acquisition performance and adjust our efforts where necessary. I recognize that there is a broad spectrum of acquisition activity underway. At one end, we are focusing on near-term tactical support equipment to assist ongoing efforts in both Iraq and Afghanistan. At the other extreme is the acquisition of multi-billion-dollar ships that will be in our fleet for decades to come. As such, there cannot be a one-size-fits-all approach to the acquisition process.

Yet, there are what I will call, common "shared values" across the spectrum that are essential elements of the acquisition process and that will be fundamental to how the Department makes its decisions. These shared values are: the need for operational suitability; sustainability of deployed systems; predictability of cost and schedule; and return on investment, as measured by the capability provided to the warfighter.

These shared values will guide decisions in the acquisition process and in the roles and responsibilities of the organizations involved. They apply equally well to operators, buyers, tech support centers, contractors, and subcontractors throughout the entire length of the supply chain. All of these entities need to be in alignment.

Let me note here that there will be winners and losers in the acquisition process, and, as we work through the budget, these values will be a major factor in making

resource allocation decisions.

Now, I'd like to give you my perspective on these values and how we will use them in our decision-making process. First of all, operational suitability is fundamental to any assessment of an acquisition's warfighting contribution. If a product or system cannot perform its intended function in the real world environment, it will not provide value to the warfighter. Worse, if there is an expectation of capability that is not met, this could have disastrous implications for operational plans and execution well beyond the opportunity costs commonly identified.

We need to get the full set of requirements specified early, and ensure that the product or system meets all of the operational needs, not just the performance parameters that have historically defined the qualitative advantages that we sought to differentiate ourselves. In evaluating our requirements, we must ensure that systems and products are mission-suitable, compatible with the maritime environment, and capable of meeting critical expectations in areas such as safety and reliability. Furthermore, the government cannot escape its responsibility to devote the resources and to develop the expertise to properly formulate the appropriate specifications.

In considering operational suitability, one cannot avoid the issue of Commercial Off-the-Shelf purchases. In meeting our acquisition requirements, I will suggest that COTS is oftentimes not a suitable alternative. There are, indeed, important success stories and many good commercially developed technologies, particularly with respect to microelectronics, Information Technology, and various components of larger systems.

When appropriate, we should not hesitate to take advantage of commercially available products, especially when we are sure they can provide the reliability, maintainability, and availability the warfighter needs. However, there are no commercial equivalents to most of the operational systems and platforms we use.

Furthermore, we cannot accept limitations from the commercial world that would jeopardize our ability to execute our missions. Reliability and availability in an operational military application must often have higher thresholds than in commercial settings. The consequence of not meeting expectations in military applications is not limited to the financials, as is often the case in the commercial sector. In the military, it may be a matter of operational success or failure—and the potential loss of life of our Sailors and Marines.

One last note related to operational suitability. I believe that operators are in the best position to determine what constitutes operational suitability, and therefore we need greater operator involvement throughout the acquisition process. It is not just a matter of writing specifications, throwing them over the transom, and coming back for acceptance tests. These specifications must be informed by those who understand the true consequences, and who have long-term equity in the outcomes.

Operators are naturally vested in producing the best possible outcomes from our acquisitions—not as final adjudicators, but as critical players throughout the life cycle of

a program. We need to bring back some of the synergies between operators, acquisition personnel, and contractors that made programs such as Naval Nuclear Propulsion, Submarine-Launched Ballistic Missiles, and our early satellite programs so successful.

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Now to another one of the values that I would like to discuss this afternoon—sustainment. Sustainment in the field is a key contributor to operational suitability, and we must incorporate this consideration into our plans, specifications, and contracts—and do so early in the process.

Sustainment touches on a wide range of issues, from initial design to the provisioning of Field Service Representatives for deployed systems. Department of the Navy and U.S. government interests must be supported across the globe—and the logistics chain, from beginning to end, must be assured from the start. I will note that, for some programs, difficulties in providing adequate Field Service Representatives in theatre has been a constraint, and this is simply not acceptable.

Industry must be prepared to deliver on the full range of sustainment elements. We must define the appropriate maintenance and support functions, and the roles of contractor and military personnel in providing this support. These roles will differ depending on whether we are dealing with an ACTD or an operational system, and the roles will change as systems mature, but they must be planned and executed in a timely and effective manner.

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The third value that I want to focus on this afternoon concerns the predictability of cost and schedule. Everyone recognizes that cost and schedule are important to an acquisition program. We need to recognize that *predictability* of cost and schedule in and of itself has value.

Programmatic surprises delay needed capabilities, and can have significant opportunity-cost implications. Consequently, we need to look closely at the trade between revolutionary and evolutionary program alternatives, and understand the implications on cost and schedule uncertainty.

There are cases where new technologies and designs are either unavoidable, or become the mechanism by which we can achieve transformational capability improvements. We have seen this, for example, in the incorporation of low observable capabilities into ships and aircraft. However, in such cases, we need to realistically assess the risk-to-return ratio, and ensure that we have the mechanisms in place to manage the developmental uncertainties.

Furthermore, for all systems, we must plan for and build in the capability for future sustainment and evolution. The use of open architectures and Pre-planned Product

Improvements—or P3I—can provide this kind of built-in flexibility to evolve systems in the future. This has value in and of itself.

Flexibility to evolve will require both the right design *and* the right business arrangements. The business aspects of this issue are often overlooked, but they are equally fundamental. Indeed, we have learned over the last decade that we must avoid proprietary architectures, limitations in data rights, long-term teaming relationships, and other business arrangements that limit our ability to acquire the latest technology or evolve in new directions in a future marked by unpredictability.

Furthermore, I would note that commercial contracting models can pose significant risks to long-term system evolution and support. Commercial enterprises have a legitimate interest in protecting cost information and technical data rights. But that can have a negative impact on the Department's future buys, and on our ability to upgrade and sustain a system.

The Department of the Navy must preserve its prerogatives throughout the life cycle of the program—not just for the initial contract—in order to protect the long-term interests of the Navy and Marine Corps.

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The final value I would like to touch on this afternoon concerns the value of investment. The costs of acquisition are time and money, with some investments not paying off until many years later. We need to provide for the needs of the warfighter in a timely manner while being good stewards of the public purse.

We need to ask ourselves what behaviors we wish to motivate and how we can best do that. This will require a shift in mindset for all of us—from focusing on allowable contractor profit rates to cost-to-government considerations; from a focus on demonstration systems to fielded systems; and from metrics such as acceptance and reject rates to sustained availability and reliability in the field. For the value of investment to be more widely recognized, we need to make these changes, and get a better return on taxpayer dollars.

We also have a wide range of contract types available to us. We need to learn how to effectively pair contract type to development and production risks, schedule needs, and other warfighter requirements. In this regard, we must select a vehicle that is fair to the contractor, motivates the desired behaviors, and ensures that we fulfill our role as stewards of the taxpayers' money.

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We, the Department of the Navy and industry, must keep the focus on the shared values I have outlined today, and approach acquisition with the warfighter in mind, at every step of the way. The Department will apply these values as we go through the

Planning, Programming, Budgeting, and Execution process and as we execute acquisitions.

A systematic consideration of these values will impact program funding, specifications, source selection, contract form, and the roles and missions of Department of Navy personnel, both civilian and military. Incorporating these values into our acquisition and research programs is critical to achieving our vision for the Department as we continue to meet the security needs of our Nation.

Thank you.